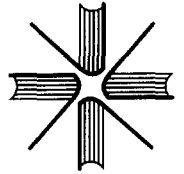


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Richard A. Laughlin
Acting Commissioner of Education

Nancy M. Bolt
Assistant Commissioner
Libraries and Adult Services

September 24, 1997

SEP 25 1997

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: CC Docket No. 96-45, Comments on DA 97-
1957 published September 10, 1997 regarding
Universal Service Support Distribution Options

Dear Mr. Caton:

Attached please find a the comments submitted by the Colorado Department of Education regarding the above referenced proceeding. In accordance with the Federal Communications Commission's rules, I am submitting an original and four (4) copies of this filing with the Office of the Secretary.

Sincerely,

Nancy Bolt
Assistant Commissioner for Libraries and Adult Education
Colorado Department of Education

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Before the
Federal Communications Commission
Washington, DC 20554

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FEB 23 1997

In the Matter of)
Federal-State Joint Board on)
Universal Service)

CC Docket No. 96-45
DA 97-1957

**Comments of the
Colorado Department of Education (CDE)
Regarding the Common Carrier Bureau's Request for Comments on
Universal Service Support Distribution Options for
Schools, Libraries and Rural Health Care Providers**

Introduction:

In the September 10, 1997 notice, the Federal Communications Commission's Common Carrier Bureau ("the Commission") sought comments on two important issues regarding the Universal Service programs for schools and libraries and for rural health care providers. The first issue was whether a "window" period should be established for prioritizing applications. The second issue was how schools and libraries should be allowed to calculate school district, library or eligible/non-eligible consortium or state-wide discounts when applying on behalf of numerous eligible entities. The Colorado LEHTC is pleased to present to the Commission our thoughts on these issues.

A. Potential Exhaustion of Funds

A.1. Window Period:

First, we support the "window" period concept. We understand that the Commission may be concerned that poorer or more remote schools and/or libraries, particularly those without electronic access, will be at a disadvantage in assuring that their application reaches the Commission in a timely manner. Presumably, the Commission believes if it provides a window of opportunity, these disadvantaged schools and libraries will be able to meet the deadline for applications. We agree with the Commission on this point and believe that a window of one week should be enough to assure that all the schools and libraries interested in the program have their applications submitted on time.

There are some administrative disadvantages to providing such a window. First, what happens if the Commission reaches the \$250 million trigger within a window period? Does the Commission begin prioritizing with the applicants who have applied in the window? Does the Commission suspend the window mid-way through a window period when the \$250 million trigger is reached?

While we agree with the concept, we believe that more difficult fairness issues will arise as a result of the “window” period than on a first come, first served basis. With a first come, first served process, everyone is clear about why they did or did not receive a discount OR why they were pushed back behind the 30-day prioritization period.

If the Commission establishes “window” periods, it will have to establish a new set of priority rules to accommodate the possibility that the \$250 million trigger falls in a window period. The Commission could revert to first-come, first served, at this point, it could create a priority system based on the disadvantaged process used under the 30-day prioritization process, or it could develop another process for consideration. However, all these processes will provide uncertainty to the schools and libraries who are in that window period.

We recommend that the Commission consider one or two 7-day windows within which all applications will be treated equally. Presumably, because of the limited funds and the first-come, first-served nature of the program, there will be a significant rush at the beginning of the program and there will be fewer applications coming at the same time later in the process. These later applications could still be considered on a first-come, first-served basis since there will be fewer entering the system at the same time and it will be easier to process the documents.

A.2. Establishing rules of priority for the first \$1 billion:

We understand the Commission’s need to be fair to the providers in collecting the funds and, therefore, its right to collect only \$1 billion in the first six months of the program. However, we are vehemently opposed to a proposal that would artificially limit the funds available to all schools and libraries simply because the Commission has not collected funds that will be available in the second half of the year. The standards the Commission should use are those outlined in 47 C.F.R. Section 54.507 because that is the rule. The Commission has also given itself ample time to pay the telecommunications carriers to accommodate cash flow issues that may arise. (47 C.F.R. Section 54.515) We oppose the artificial limitations on the program that are proposed in this section.

B. Allocation of Aggregated Requests for Funds

We greatly appreciate the Commission’s willingness to openly evaluate this issue. Further, we must express concern about the nature of the US Department of Education, Institute of Museum and Library Services, National Telecommunications and Information Administration, Rural Utilities Service and Education and Library Network Coalition’s report (Working Group Report) has been presented as the position of the education community. We believe, in this instance, the US Department of Education, Institute of Museum and Library Services, National Telecommunications and Information Administration and Rural Utilities Service suffer from the same distance and misunderstanding of how school and library districts and systems work as the Commission or any other Federal agency.

We do not disagree with the Working Group's premise that the discounts should be allocated fairly, nor do we dispute that, in some cases, districts with disparate discounts should strive to ensure accurate distribution of the discounts among their member schools. However, we disagree with the Working Group's limited view of how school districts, and by extension, library districts bill for and purchase their telecommunications services.

There appears to be an assumption in the recommendations that each school and library is treated as an independent entity within the system. While this may be true in some instances, it is not always true. Not only do some school or library districts centrally bill, as stated on page 16 of the Working Group Report, but they centrally purchase as well. This provides better service and better prices to ALL schools and libraries in a district, ***especially those that are more remote and isolated***. This means that those services are NOT site-specific and, therefore, the discount per site should not necessarily differ based on the Working Group Report's population or usage-weighted schedules.

B.1. Colorado-Specific Examples:

We asked a few of our most urban and rural districts to evaluate the aggregation issue for us. In every case, aggregation appears to be the most advantageous method of applying for the discount. The overwhelmingly understandable and comparable issue for these schools was Internet access.

In almost every case in Colorado, districts work and operate as a consortium of sites (administration buildings; elementary schools; middle/junior high schools; senior high schools) to design, implement, maintain and fund 'technology' for sound reason. As a consortium, districts can exact 'pre-discounted' prices for services that far outweigh the advantage of operating as a single entity. This, in turn, results in received benefits to all sites, in the form of expertise, time, hardware, software, maintenance, and service.

B.1.A. Jefferson County Public School District (Urban System)

For example, Jefferson County Public School District (Jeffco School District), the largest school district in the state of Colorado, works as consortium to provide Internet access to all sites across the district. Jeffco School District, compared the costs to a single site w/ the weight of a consortium of a district sites for purchasing power. If a single Jeffco school chose to buy Internet access, the follow calculations would apply:

For a direct feed from Colorado SuperNet ***to a single school*** for one year = \$4000/year
T1 Installation = \$600/one-time
Cover cost of montly T1 service = \$350/monthly
Register with InterNic (obtain and register IP addresses...Class C)
Responsible for TCP/IP software & configuration
Purchase and maintain router (\$2000)
Configure router (*requires specific expertise that most schools do not have)

On the other hand, if Jeffco School District used its consortium purchasing power on behalf of all its schools, the Internet Access costs change substantially:

For a direct feed from Colorado SuperNet *to the entire District* for one year = \$5000/year

T1 Installation = \$600/one-time

Cover cost of monthly T1 service = \$350/monthly

Provide Class C IP addresses to school sites plus 2 Internet accounts

Provide and maintain router (\$2000)

Provide expertise to configure router at site

In addition, the Jeffco School District ensures service up to the desktop, from there the school is responsible for the TCP/IP software and configuration.

It is important to note that the T1 Installation and monthly T1 service costs are not variable because they are tariffed costs that do not change. We are assuming that because of the Telecommunications Act of 1996 and its intent on opening up competition in all parts of the telecommunications marketplace, these tariffed rates will become more open to competition and the bargaining capabilities that exist in the Internet marketplace and the inside wiring marketplace that are not regulated by the Commission or state public utility/service commissions. If that is truly the direction the Commission intends to head, it would be short-sighted to impose the school-by-school accounting approach on these districts that can buy better and cheaper service.

B.1.B. Northwest Colorado Public School Districts (Rural Systems)

In the Northwestern part of Colorado, the Internet access costs on a school versus district basis are the same as those presented by the Jeffco School District. What is apparently a greater concern for rural areas has been whether there are significantly larger differences of National School Lunch Program (NSLP) percentages within a school district and, therefore, the possibility that one or two schools in a district will be disadvantaged by a district-wide filing. In our brief review, we found that in most cases, rural areas have a more homogeneous community than the urban areas AND still have the same centralized purchasing preferences and advantages that are described above for the urban districts.

Of the five districts in Northwest Colorado, only one appears to have wider disparities in NSLP percentages. In every other case, the high school in the district has a significantly smaller NSLP percentage than every other school. This is because the numbers provided are those student *participating in* the NSLP, not those students *eligible for* the NSLP. This may also be true for the one district (West Grand School District) that has descending numbers of students participating in the NSLP. We are struck by how similar these districts are, in terms of discount percentages and believe this supports the notion

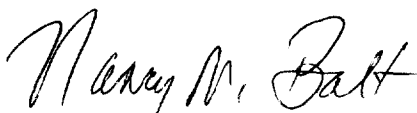
that very rural schools within school systems would not be disadvantaged by the aggregation central purchasing requires.¹

We respectfully submit to the Commission our recommendation that it refrain from designating specific allocation formulas that may or may not be relevant to the purchasing behaviors of school and library districts. Instead, we recommend that the Commission requires all applicants to maintain accurate records delineating why the allocation formula they chose is the most appropriate and fairest method to all its schools or libraries.

Conclusion

Again, we appreciate this opportunity to comment on Universal Service Program issues contemplated by the Commission. Please feel free to contact us if you are interested in further information on these topics.

Sincerely,

A handwritten signature in cursive script that reads "Nancy M. Bolt".

Nancy Bolt

Assistant Commissioner for Libraries and Adult Education
Colorado Department of Education

¹ See Appendix A for NSLP and discount calculations provided by the Northwest Colorado BOCES for the five school districts it serves.

Appendix A

Northwest Colorado BOCES School Districts

Disaggregated & Aggregated Telecommunications Calculations

Hayden School District

Building	# Students	# F&R	Percent F&R	Discount %	
Hayden Valley Elementary	196	33	16.84%	50%	
Hayden Middle School	118	26	22.03%	60%	
Hayden High School	183	21	11.48%	50%	
District		497	80	16.10%	50%

Steamboat Springs School District

Building	# Students	# F&R	Percent F&R	Discount %	
Soda Creek Elementary	429	16	3.73%	50.0%	
Strawberry Park Elementary	466	23	4.94%	50.0%	
Steamboat Middle School	537	27	5.03%	50.0%	
Steamboat High School	523	5	0.96%	25.0%	
District		1955	71	3.63%	50.0%

South Routt School District

Building	# Students	# F&R	Percent F&R	Discount %	
Yampa Elementary	217	54	24.88%	60.0%	
Middle School	100	19	19.00%	50.0%	
High School	129	22	17.05%	50.0%	
District		446	95	21.30%	50%

West Grand School District

Building	# Students	# F&R	Percent F&R	Discount %	
Elementary	247	100	40.49%	70.0%	
Middle School	129	34	26.36%	60.0%	
High School	177	31	17.51%	50.0%	
District		553	165	29.84%	50%

East Grand School District

Building	# Students	# F&R	Percent F&R	Discount %	
Granby Elementary	245	50	20.41%	60.0%	
Grand Lake Elementary	103	13	12.62%	50.0%	
Frasier Elementary	195	30	15.38%	50.0%	
Middle School	328	54	16.46%	50.0%	
High School	368	17	4.62%	50.0%	
District		1239	164	13.24%	50%